

**MASSACHUSETTS**  
Public Employee Retirement Administration Commission  
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M E M O R A N D U M

TO: Retirement Boards

FROM: Kevin P. Blanchette, Deputy Executive Director

RE: Application for Withdrawal of Accumulated Total Deductions Form and Special Tax Notice for All Withdrawals Paid On or After January 1, 2002

DATE: December 27, 2001

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) made a number of changes that apply to the rollover provisions for withdrawals from Retirement Systems established pursuant to G.L. c. 32. Some of these changes are mandatory and take effect for all distributions from Retirement Systems paid out on or after January 1, 2002. The attached Application for Withdrawal of Accumulated Total Deductions form and Special Tax Notice **must** be used for all withdrawals paid out or rolled over on or after January 1, 2002.

Effective January 1, 2002, the types of accounts into which a member can rollover his or her Annuity Savings Account have increased. Members will be able to rollover their accounts to traditional IRAs; qualified employer plans and annuity plans that will accept the rollovers; annuity contracts that will accept the rollover; and eligible deferred compensation plans maintained by a state government, political subdivisions of a state or instrumentality of a state that will accept the rollover and account for it separately. Members who are eligible to withdraw their accounts will also be able to rollover both the taxable and non-taxable portions of their account.

These new mandatory federal provisions do not affect the provisions of G.L. c. 32 that deal with a member's eligibility for a refund of his or her contributions. A member must be eligible to withdraw his or her accumulated total deductions in order to be able to rollover the amount in the account. Additionally, the new federal provisions do not mandate that a plan accept a rollover from a G.L. c. 32 Retirement System. Finally, the federal provisions do not change the post-tax status of voluntary buy-backs made by way of withholding from a member's regular compensation.

**The attached Application for Withdrawal of Accumulated Total Deductions form and Special Tax Notice must be utilized for all withdrawals or refunds paid after January 1, 2002.**

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EGTRRA also contained provisions that are not mandatory in nature that would allow members to purchase creditable service using pre-tax funds from other retirement plans. These provisions will take effect when PERAC regulations enabling their implementation are enacted. We anticipate that emergency regulations will be enacted and become effective early next year. Until otherwise notified, however, G.L. c. 32 Retirement Systems cannot accept rollovers from other plans for purchases of creditable service. As soon as regulations are enacted to implement these provisions, instructions will be issued.

As noted in PERAC MEMO #23/2001, the Commission is seeking a ruling from the Internal Revenue Service that would allow payments for elective buy-backs of creditable service that are withheld from a member's regular compensation to be pre-tax for federal income tax purposes. The IRS has not yet issued its ruling on this issue as yet, so any amounts withheld from a member's regular compensation to make payments for elective purchase of creditable service will continue to be made on a post-tax basis. As soon as the IRS has issued a ruling, further information and direction will be forthcoming.

If you have questions, please feel free to contact this office.